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NAPTA MANAGEMENT NEWS

AUGUST 1990

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- NET PROFIT BEFORE TAX UP
- SALES UP 17%
- ROTA PROFITABILITY STABLE
- 1989 PAR SURVEY RESULTS
- DIRECT ORDER SIZES UP
- MN EXCLUSIVE REPORT

EPA Guidelines For Recycled Paper Products

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Cover photo: Richard Chesnut

NPTA Study Shows Distributors Must Improve Working Conditions

NPTA research shows that one in nine employees were injured on the job last year, which is higher than the national average.

A new NPTA research report reveals that paper and plastics distributors must make major improvements in the safety conditions of their workplace.

NPTA's new Worker Safety Reporting Program indicates that last year one out of every nine employees incurred an occupational injury or illness in the paper and plastics distribution business. That's 41% higher than the average rate for all private sector industries.

The study is the result of efforts by NPTA's recently formed Human Resource Committee, headed by John Slattery, employee relations director for Butler Paper Company, Englewood, CO. The committee's goal in establishing the project is to identify worker safety problems and develop programs that would help correct them. In the future, research that suggests better conditions theoretically could be used to obtain more favorable insurance rates.

As it stands now, however, distributors must reevaluate and revise their worker safety programs. Using the OSHA (Occupational Safety and Health Administration) formula for determining recordable injury/illness rates, the 99 NPTA firms responding to the association's survey had a recordable rate of 11.7 injuries/illnesses per 100 employees. In other words, one out of every nine employees in the industry suffered some work-related malady.

The 99 distributors employed 13,558 people, for which there were 1,596 total recordable injuries/illnesses. Of those answering the questionnaire, fine paper houses recorded 188 injuries, industrial firms recorded 410, and dual companies recorded 998.

Looking at the recordable rates published by the U.S. Bureau of Labor Statistics, the NPTA 1988 rate is 41% higher than the average rate for all private sector industries.

Even more significant, more than half of the total recordable injuries/illnesses resulted in days away from work. Of the 1,596 injuries/illnesses reported, 868 resulted in lost time. Put another way, injured employees missed at least one full day as a result. The lost-time incidence rate for the 99 respondents was 6.4. This means for every 100 employees there were 6.4 lost-time injuries/illnesses. This rate is more than 70% higher than the lost time incidence rate for all private sector industries.

The figures looked no better when compared to those gathered from the paper converter operations industry. According to the American Paper Institute's 1988 Summary of Occupation Injuries & Illnesses, incidence rates totaled 11.16 per 100 employees. (Figures are based on 392 reporting mills.) Lost work-day cases totaled 4.57 per 100 employees, which is lower than the distributors' figure.

NPTA's study of worker safety is the first report in an ongoing project sponsored by the Human Resource Committee. Data collection forms for the next survey, to be conducted during the first half of this year, already are in the mail. Please fill them out and return them to NPTA, 111 Great Neck Road, Great Neck, NY 11021.

SUMMARY OF 1988 WORKER SAFETY REPORTING PROGRAM
(Incidence Rates Per 100 Full-Time Employees)

	OSHA RECORDABLE CASES			LOST TIME CASES	
	Employee Count	Total No. of Cases	Incidence Rate	Total No. of Cases	Incidence Rate
Printing	1,643	188	11.35	116	7.00
Industrial	3,326	410	12.23	261	7.78
Dual	8,589	998	11.53	491	5.67
TOTAL	13,558	1596	11.67	868	6.35

DEFINITIONS

Recordable Cases —*Sum of lost time, restricted (light duty), and medical treatment (other than first aid) injury/illness cases.*

Lost Time Cases —*Recordable cases which result in days away from work.*

Incidence Rate —*Represents the number of Recordable and Lost Time Cases per 100 full-time workers and is calculated as (N × 200,000)/EH*

N = Number of Recordable Cases of Lost Time Cases

200,000 = base for 100 full-time equivalent workers (working 40 hours per week, 50 weeks per year)

EH = Total hours worked by all employees during the calendar year (total number of employees × 2016 hours)

Merchant Sales Up for Printing a

Major industry findings are summarized here from NPTA's members' use of the PAR (Performance Analysis Report). a new service in 1989. This report was prepared by

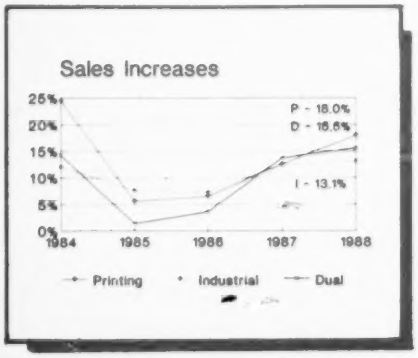
NPTA's 54th annual Performance Analysis Report (PAR), summarized in *Paper Merchant Performance*, shows 1988 continuing 1987's patterns, tempered by inflation. Industry composite results reported to 1989's participants indicated:

- Sales rose, but so did producer prices;
- Profits to sales rose significantly only for dual merchants;
- Return on Assets remained steady;
- Return on Net Worth was steady.

This article provides five-year trends of composite averages for a number of key measures, usually in graphic format. Paper Merchant Performance provides ten-year trends for these and many other measures, as well as providing 1988 performance for various sales volume, profitability groups, sales path or industrial product groups and regions.

PAR and EASE

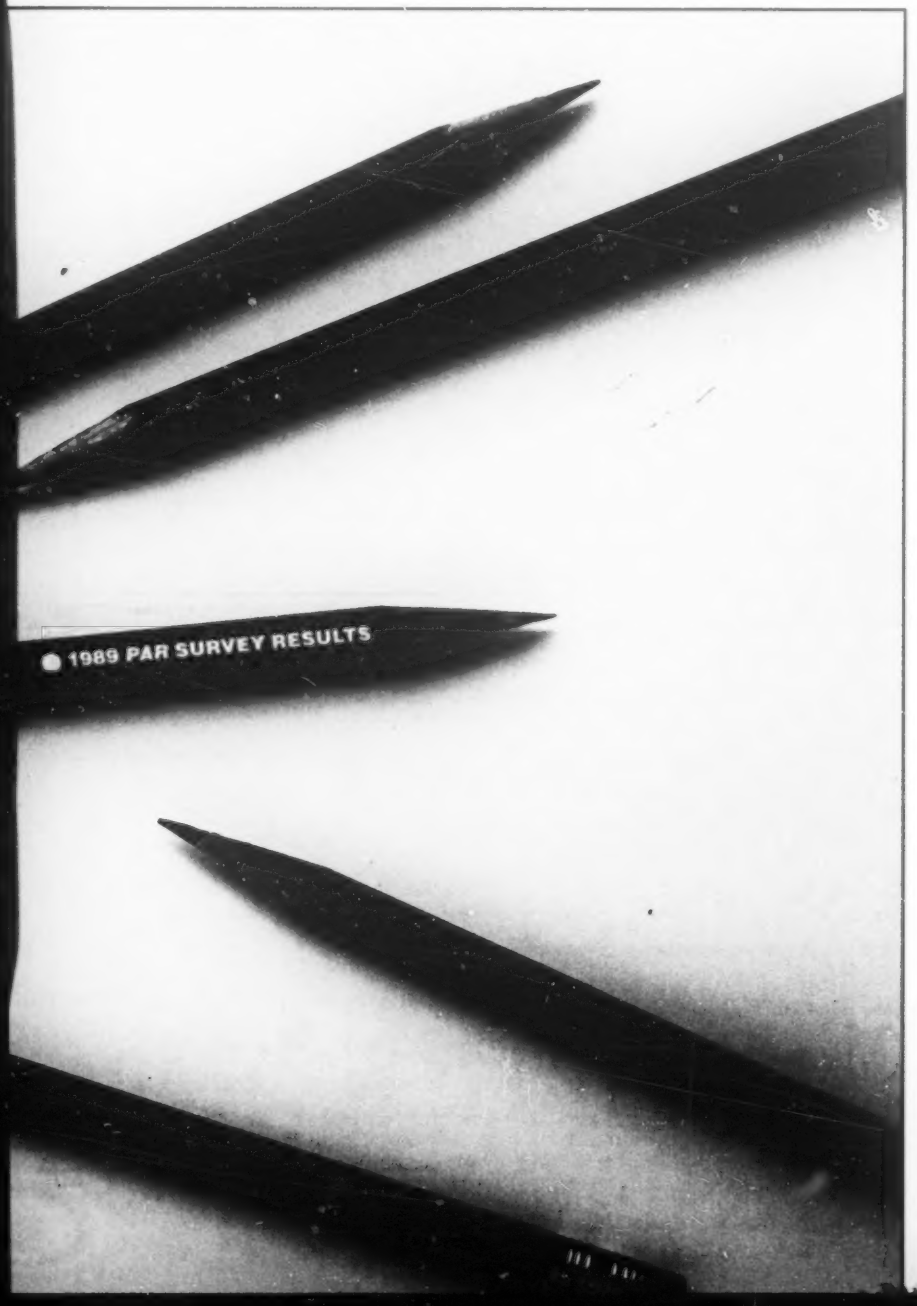
PAR is a comprehensive annual financial analysis designed to allow NPTA members to improve their profitability. Participating merchants completed either a new "EASE" PC-based questionnaire or a paper questionnaire and submitted that to Management Foresight, Inc., (MFI) of Columbus, OH. MFI then sent each merchant a customized report comparing their company's performance to up to 300 different industry-wide or other composite performance measures.



Sales increases as shown above were typical of the past several years.

17%; Profits Strong nd Dual Firms

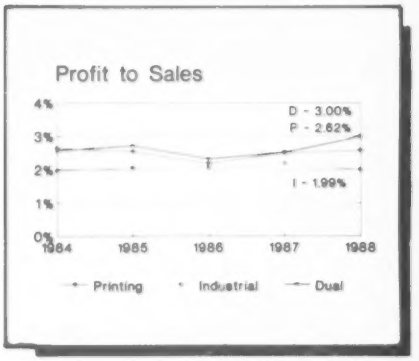
annual *Paper Merchant Performance*, developed from NPTA More than half the forms for PAR came in on a computer disk, George Cain, NPTA's director of research.



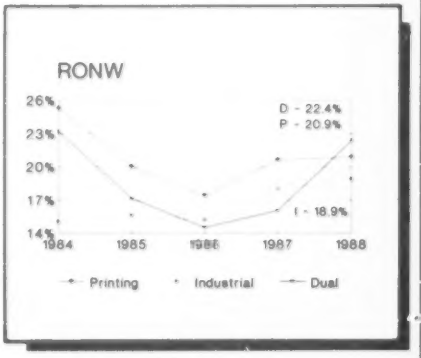
1989 PAR SURVEY RESULTS

Commerce Department Producer Price Indices showed increased costs for merchants averaging 10% over 1987.

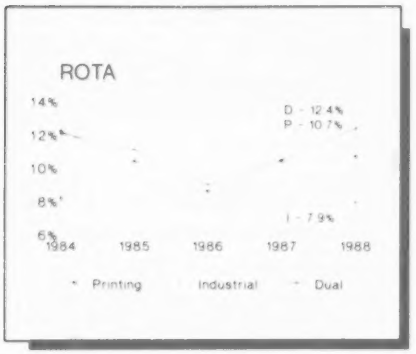
Industrial goods would, as in past years, show only a small increase in sales after adjustment for Producer Price Changes. Printing goods, again as in past years, would show an increase above the growth rate of the US Gross National Product.



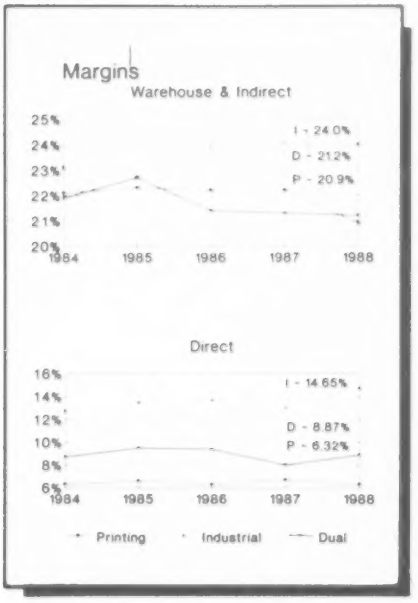
Net Profit Before Taxes (NPBT) as a percentage of net sales basically continued the 1987 patterns for printing and industrial merchants, but dual merchants regained their typical top performance in 1988.



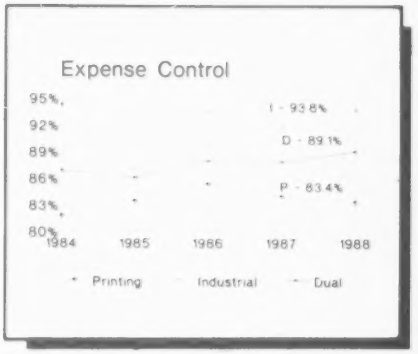
Return on Net Worth (Net Profit before Taxes to Net Worth) also had printing and industrial merchants following typical patterns. Dual merchants fared the best on this measure, for the first time in several years.



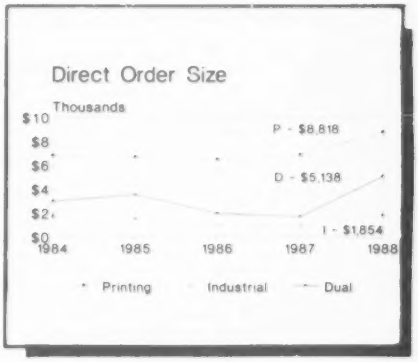
Return on Total Assets (NPBT to Total Assets) showed typical numbers for 1988. This measure is the core profitability measure used by Management Foresight, Inc., (MFI) to allow merchants to see how they performed compared to other merchants.



Printing merchants alone showed any significant change in gross margins for combined warehouse and indirect sales with a drop from 22.2% to 20.4%, and only industrial merchants showed major changes in direct gross margins, rising to 14.65%.



Only printing merchants had any improvement in the measure comparing Total Operating Expenses to Gross Margin, and they dropped minimally from 84% to 83.4%. Dual merchants rose from 87.9% to 89.1% and industrial merchants rose from their already top 91.3% to 93.8%.



One measure which rose for all merchant types was the average size of direct orders. Printing merchants rose 27%, well over their increase in sales. Industrial merchants rose 82%, which may reflect a change in the way industrial merchants approach the market. Dual merchants, however, showed the most dramatic rise, from 1987's $1,746 to 1988's $5,138, for an increase of 194%. Later articles or notes in the Data Base section will provide further analysis of the source of these

the source of these unusual changes for industrial and dual merchants.

Future Analysis

Further analysis of the results of the 1989 PAR will be included in the Data Bank section of *Management News* in future months. Topics analyzed will include:

- ROTA and its value for profitability;
- Operating expense areas;
- Use of debt and its impact on profitability;
- Analyses by size of company;
- Analyses by percent of goods sold through direct sales;
- Analysis of regional variations in performance;
- Value of medians and quartiles for analysis of performance.

PAR History

NPTA has been providing annual operating surveys as part of its membership services for 54 years, and has used Management Foresight, Inc. (MFI) to provide its customed PAR report to NPTA members for 13 years. MFI provides this service to many wholesaler trade associations, partly for confidentiality reasons. PAR itself is totally confidential. No details about any company are available to anyone outside the company. PAR questionnaires include company identification numbers only on the pages used to enter the data into MFI's computer. NPTA itself never sees either the raw data submitted by merchants or data about the performance of individual companies.

EASE, an NPTA First

NPTA is the first association to offer its members the possibility of filing for PAR through a computer disk. This disk format offers merchants several advantages, including running an error-checking program and calculating a company's performance prior to submission to MFI. MFI now plans to offer the EASE disk filing to other associations, especially since well over half the forms submitted for NPTA were on the EASE disk.

This article has provided some highlights from NPTA's *Paper Merchant Performance* for 1989. This is an annual NPTA publication which is provided free to member paper distributors and which can be purchased by others who would find the information useful in their work with the paper distribution industry. For further information about Paper Merchant Performance or the PAR survey, contact NPTA's Research and Statistics Department at 516-829-3070.

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